



STATE OF MAINE  
PUBLIC UTILITIES COMMISSION  
18 STATE HOUSE STATION  
AUGUSTA, MAINE  
04333-0018

EX PARTE OR LATE FILED

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COMMISSIONERS

April 22, 1997

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Federal Communications Commission  
Office of Secretary

Honorable Reed Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

Re: Universal Service, CC Docket No. 96-45

Dear Chairman Hundt:

We write to express our views concerning several of the issues facing the FCC as you approach May 8.

We appreciate your recognition of the challenges that we face as a rural state that receives a disproportionately small share of current Universal Service funds. We agree with your stated view that the FCC should use caution in adopting any single approach or model that might, because of its distorting effects on the market, render genuine progress difficult or impossible. We also support a measured and orderly approach to implementing the mandate given to the FCC, to avoid allowing the inherent tension in the Act between its goal of promoting competition and its goal of enhancing universal service to frustrate the achievement of both. Nevertheless, we believe that maintaining the current system of support for rural areas for an extended period would frustrate Maine's ability to fulfill the requirements of the Act, especially those contained in Section 254(b) relating to reasonably comparable rates.

Maine and other rural states, in separate ex parte submissions, detail the scope of our concerns and suggest an interim approach that could be implemented prior to the final

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resolution of the proxy model issues.<sup>1</sup> In particular, the 200,000 line threshold for the full measure of High Cost Fund support in the existing scheme is a barrier to reasonably comparable rates that could be removed, as a near-term interim measure, without disturbing the orderly transition to competition or access charge reform.

Beyond these particular concerns, we have articulated below certain broad principles for substance and process that, in our view, should guide the FCC's deliberations:

- To the extent possible, rates should be designed so that non-traffic sensitive costs are not recovered through usage-sensitive charges.
- The long-term resolution of Universal Service and High Cost Fund issues - including size, funding, and distribution - should be developed in close cooperation between the states and the FCC, with continuing use of the Universal Service Joint Board.
- As the Universal Service Joint Board recommended, federal funding should be sufficient to ensure that telecommunications services, including inside wire and access to the internet, are made available to schools and libraries at discounted rates.
- The transition to a competitive market should be accomplished, to the extent possible, without creating adverse rate impacts on residential consumers.

While we are writing as individual commissioners, and not on behalf of the Maine Public Utilities Commission per se<sup>2</sup>, we

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<sup>1</sup>It seems clear to us that significant additional work needs to be done before any of the various proposed proxy models could be relied upon. Indeed, it may be the case that, while the same economic principles should guide all our collective efforts, the specific model ultimately chosen for High Cost Fund calculations (which, in essence, attempt to smooth differences among geographic regions) may not be identical to the model needed for other purposes (e.g. evaluating unbundled rate element prices). In any case, the Universal Service Joint Board is an appropriate forum for further work on these models.

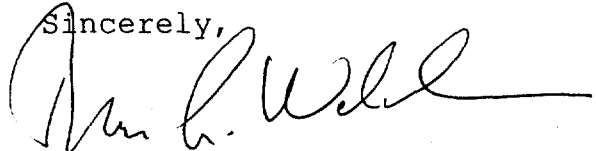
<sup>2</sup>Nor is Chairman Welch writing in his capacity as a member of the Separations Joint Board.

Ltr. Reed Hundt, Chairman  
April 16, 1997  
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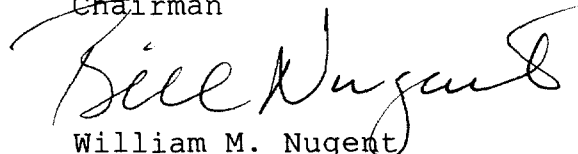
believe that the principles we have outlined above will, to the extent they guide the FCC's decision on May 8, help keep the move to effective competition required by the 1996 TelAct on track.

Thank you in advance for your consideration of our views.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tom L. Welch", with a long horizontal flourish extending to the right.

Thomas L. Welch  
Chairman

A handwritten signature in dark ink, appearing to read "Bill Nugent", with a large, stylized "N" and a flourish at the end.

William M. Nugent  
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A handwritten signature in dark ink, appearing to read "Heather F. Hunt", with a stylized "H" and "F".

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